

CONFORMED COPY

LOAN NUMBER 4701-MOR

Loan Agreement

Rainfed Agriculture Development Project

between

KINGDOM OF MOROCCO

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated March 29, 2004

LOAN NUMBER 4701 - MOR

LOAN AGREEMENT

AGREEMENT, dated March 29, 2004, between the KINGDOM OF MOROCCO (the Borrower) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter ("Note de politique de développement rural") dated May 5, 2003, from the Borrower describing a program of sectoral objectives, policies and actions (the Program) designed to improve the livelihood of rural populations in priority rainfed areas through the promotion of participatory development and the fostering of sustainable agricultural growth, and declaring the Borrower's commitment to the execution of the said Program;

(B) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through October 6, 1999) (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "CCSM" means the central commission for supervision and monitoring ("Commission centrale de supervision et de suivi") established and operating under the Borrower's Ministerial Decision No. 21/95/AGR/DAF, dated May 19, 1995, as the same

may be amended from time to time;

(b) “CIP” means the local participatory communal investment plan developed by the rural communes with support from MADR (as this term is hereinafter defined) and other ministries and entities concerned;

(c) “CLMVA” means the local agricultural development commission (“*Commission locale de mise en valeur agricole*”) established pursuant to the Borrower’s law No. 33-94 promulgated by Dahir No. 1-95-10 dated February 22, 1995, as the same may be amended from time to time;

(d) “CMV” means the development centers (“*Centres de mise en valeur*”) within ORMVAs (as this term is hereinafter defined);

(e) “CT” means the working centers (“*Centres de travaux*”) under MADR (as this term is hereinafter defined);

(f) “Dirhams” and “MAD” mean the lawful currency of the Kingdom of Morocco;

(g) “EMP” means the Project Environmental Management Plan satisfactory to the Bank, prepared by the Borrower and submitted to the Bank on February 20, 2002, as the same may be amended from time to time with the Bank’s prior agreement;

(h) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(i) “Fiscal Year” and “FY” mean the fiscal year of the Borrower, starting January 1 and ending December 31 of each calendar year;

(j) “Implementation Manual” or “IM” means the procedure manual for the carrying out of the Project, satisfactory to the Bank, prepared by the Borrower and submitted to the Bank in accordance with paragraph B.9 of Schedule 5 to this Agreement, as the same may be amended from time to time with the Bank’s prior agreement;

(k) “LDD” means the land development directorate (“*Direction des aménagements fonciers*”) within MADR (as this term is hereinafter defined);

(l) “MADR” means the Ministry of Agriculture and Rural Development of the Borrower, or any successor thereto;

(m) “MADR’s Local Representations” means the CTs and CMVs within the Project Area;

(n) “MADR’s Provincial Representations” means the PDAs and ORMVAs (as these terms are hereinafter defined) within the Project Area;

(o) “MOF” means the Ministry of Finance and Privatization of the Borrower, or any successor thereto;

(p) “NGO” means non governmental organization;

(q) “NSC” means the national steering committee (“*Comité national de pilotage*”), established and operating pursuant to the Borrower’s Ministerial Décision No. 36/AGR/DAF/DALF dated November 17, 2003, as the same may be amended from time to time;

(r) “ORMVA” means the regional office for agricultural development (“*Office régional de mise en valeur agricole*”) under MADR in the provinces of Errachidia and Taroudant;

(s) “PCRDC” means the provincial core rural development committee (“*Comité provincial restreint pour le développement rural*”) created under the PTC (as this term is hereinafter defined) and responsible for coordinating rural development activities within the province;

(t) “PDA” means the provincial departments of agriculture (“*Directions provinciales de l’agriculture*”) within MADR in the provinces of Boulemane, Khemisset, Khourigba, Sidi Kacem and Tata;

(u) “PIRDC” means the permanent interministerial rural development committee (“*Comité interministériel permanent du développement rural*”) established and operating pursuant to the Borrower’s Decree No. 298974 dated January 5, 1999, as the same may be amended from time to time, composed of the Secretaries General of all the concerned ministries, with MADR acting as its secretariat;

(v) “PMU” means the Project Management Unit for the Project, established and operating pursuant to MADR’s Decision No. 35/AGR/DAF/DALF dated November 17, 2003 and maintained, throughout the duration of the Project, in accordance with the provisions of paragraph B.1 of Schedule 5 to this Agreement;

(w) “PTC” means the provincial technical committee at the level of each province and presided over by the governor of the province;

(x) “Project Area” means the provinces of Boulemane, Errachidia, Khemisset, Khourigba, Sidi Kacem, Taroudant and Tata;

(y) “RADC” means the local rainfed agriculture development commissions (“*Commissions locales de mise en valeur agricole*”) established pursuant to the

Borrower's Law N. 33-94 promulgated by Dahir No.1-95-10 dated February 22, 1995, as the same may be amended from time to time;

(z) "Rainfed Development Sites" ("*Périmètres de mise en valeur bour*") means the seven (7) sites identified for the Project corresponding to ten (10) rural communes within the Project Area, as the same may be expanded during Project implementation in agreement with the Bank, all within the framework of the Borrower's Law N.33-94 promulgated by Dahir No.1-95-10 dated February 22, 1995, as the same may be amended from time to time;

(aa) "RDF" means the rural development fund ("*Fonds de développement rural*") established and operating pursuant to Article 44 of the Borrower's budget law for the year 1994;

(bb) "Sectoral Programs" means the Borrower's various sectoral infrastructure programs in rural areas; and

(cc) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to twenty five million Euros (EUR25, 000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of works, goods and services required for the Project and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dirhams a special deposit account in its general treasury (*Trésorerie Générale du Royaume*) on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2009, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the

Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

- (i) “Interest Period” means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.
- (ii) “Interest Payment Date” means any date specified in Section 2.07 of this Agreement.
- (iii) “LIBOR Base Rate” means, for each Interest Period, the London interbank offered rate for six-month deposits in Euros for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.
- (iv) “LIBOR Total Spread” means, for each Interest Period: (A) three-fourths of one percent ($3/4$ of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank’s outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines

that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.07. Interest and other charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate rural development, agricultural, irrigation, engineering, environmental, natural resource management and general management practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with: (i) the Implementation Program set forth in Schedule 5 to this Agreement, (ii) the EMP and (iii) the IM.

Section 3.02. Except as the Bank shall otherwise agree, procurement of goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the continued achievement of the objectives of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year, (A) certified copies of its financial statements referred to in paragraph (a) above for such year as so audited, and (B) an opinion on such statements and a report of such audit by said auditors; and
- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors

as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall prepare and furnish to the Bank semi-annual Financial Monitoring Reports, in form and substance satisfactory to the Bank, each of which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan during the period covered by said report and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than sixty (60) days after the end of the first calendar semester after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar semester; thereafter, each FMR shall be furnished to the Bank not later than forty five (45) days after each subsequent calendar semester, and shall cover such calendar semester.

ARTICLE V

Termination

Section 5.01. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance and Privatization of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Minister of Finance and Privatization
Avenue Mohamed V
Rabat
Kingdom of Morocco

Cable address:

MINFIN

Facsimile:

212-37-67-75-30/31

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

Facsimile:

(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Rabat, Morocco, as of the day and year first above written.

KINGDOM OF MOROCCO

By /s/ Fathallah Oualalou
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Theodore O. Ahlers
Regional Vice President
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Euros Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil Works	13,500,000	80%
(2) Goods	2,350,000	100% of foreign expenditures and 85% of items procured locally
(3) Consultants' services and training	3,000,000	70% for local consultants services and training and 75% for foreign consultants services and training
(4) Fee	250,000	Amount due under Section 2.04 of this Agreement
(5) Unallocated	<u>5,900,000</u>	
TOTAL	<u>25,000,000</u>	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement,

except that withdrawals, in an aggregate amount not exceeding EUR 2,000,000 may be made in respect of Categories 1, 2, and 3 set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after June 30, 2003.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure under contracts not exceeding \$300,000 equivalent for goods, \$500,000 equivalent for works, \$100,000 equivalent for consulting firms and \$50,000 equivalent for individual consultants, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to improve the livelihood of rural populations in priority rainfed areas by promoting local participatory development, and fostering sustainable agriculture growth and the development of non-agricultural activities.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Strengthening of Implementation Capacity for Rainfed Agriculture Development

1. Provision of technical assistance, training, equipment and vehicles for the strengthening of MADR's implementation capacity at the central level, with particular emphasis on: (a) developing tools and instruments for the development of harmonized approaches for the implementation of participatory development projects; (b) developing staff skills for an efficient management of the rural development programs in rainfed areas; and (c) strengthening the monitoring and evaluation systems of the programs referred in (b).

2. Provision of technical assistance, training, equipment and vehicles and carrying out of works for the strengthening of the local implementation capacity of MADR's Provincial and Local Representations as well as the programming capacity of local partners, including rural communes, CLMVA, community institutions, local associations, farmers organizations and NGOs, with a view to helping prepare, implement and monitor local participatory CIPs.

3. Provision of technical assistance, training, equipment and vehicles to MADR's central and provincial directorates, with a view to carrying out specific studies, accompanying the implementation of drought preparedness strategies and establishing a drought early warning system.

4. Provision of technical assistance, equipment and vehicles to MADR and agricultural research institutions, with a view to carrying out specific studies, strengthening decentralized research activities and implementing selective adaptive research operations.

Part B: Agricultural Development Activities in Priority Areas

Support to a program of activities aiming at promoting sustainable agriculture development, improving access to basic infrastructure and services and developing income generating activities in rural communes where Rainfed Development Sites shall have been identified for the purposes of the Project, all through:

1. Provision of technical assistance and goods and carrying out of works in the field of agricultural and pastoral development to increase the productivity of agricultural systems, improve natural resource management and mitigate the effects of drought, notably through technical advice and field tests, soil and water conservation works and agricultural land development works.
2. Provision of technical assistance and goods and carrying out of works for: (a) the development of agricultural infrastructure, small and medium irrigation and pastoral water points, and technical assistance to MADR's Provincial Representations to assist the rural communities in the Project Area in the preparation of CIPs; and (b) the development of non-agricultural rural infrastructures identified under CIPs.
3. Provision of technical assistance and goods and carrying out of works to support local initiatives aiming at strengthening the capacity of local organizations, through education and professional development activities and support to the establishment of local micro-credit associations and the promotion of professional organizations.

* * *

The Project is expected to be completed by June 30, 2009.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in Euros)</u>
February 15, 2009	660,000
August 15, 2009	670,000
February 15, 2010	680,000
August 15, 2010	690,000
February 15, 2011	700,000
August 15, 2011	710,000
February 15, 2012	725,000
August 15, 2012	735,000
February 15, 2013	745,000
August 15, 2013	760,000
February 15, 2014	770,000
August 15, 2014	780,000
February 15, 2015	795,000
August 15, 2015	805,000
February 15, 2016	820,000
August 15, 2016	830,000
February 15, 2017	845,000
August 15, 2017	860,000
February 15, 2018	870,000
August 15, 2018	885,000
February 15, 2019	900,000
August 15, 2019	915,000
February 15, 2020	930,000
August 15, 2020	945,000
February 15, 2021	960,000
August 15, 2021	975,000
February 15, 2022	990,000
August 15, 2022	1,005,000
February 15, 2023	1,020,000
August 15, 2023	1,025,000

SCHEDULE 4

Procurement

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits", published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto. To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$300,000 equivalent or more each.

Part C: Other Procurement Procedures

1. National Competitive Bidding

- A. Except as provided in paragraphs 2 and 3 of the present Part C, goods estimated to cost less than \$300,000 equivalent per contract and works shall be procured under contracts awarded on the basis of paragraphs 3.3 and 3.4 of the Guidelines and paragraphs B, C and D below.
- B. Any prospective bidder from a country eligible under the Guidelines who proposes to provide goods produced in or supplied from any such country shall be eligible to bid for such contracts. The same shall be applied for goods and works required for the carrying out of civil works under the Project. Prospective bidders shall be allowed to submit two envelopes provided the two envelopes are opened at the same time.
- C. Prospective bidders shall be allowed a minimum of 30 days from the date of the invitation to bid to submit bids and invitation to bid shall so specify.

- D. The contract shall be awarded to the bidder having submitted the lowest evaluated responsive bid.

2. Procurement of Small Works

Works estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$2,500,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of written quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

3. International and National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$1,300,000 equivalent, may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been agreed with the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to the first two contracts for goods, and subsequently for each contract for goods estimated to cost the equivalent of \$300,000 or more and with respect to each contract for works estimated to cost the equivalent of \$500,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers", published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Individual Consultants

Services for technical assistance and training for the Project shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Single Source Selection

Services estimated to cost less than \$100,000 equivalent per contract may, subject to the Bank's prior approval, be procured under contracts awarded in accordance with the provisions of paragraphs 3.8 to 3.11 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Bank in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant

Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been agreed with the Bank and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to the first two contracts for consulting firms and, subsequently, for each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to the first two contracts for the employment of individual consultants, and, subsequently, for each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 5

Implementation Program

A. Project Coordination

1. At the central level, overall project coordination shall be vested with PIRDC which, on the technical level, shall be assisted by the NSC. NSC shall be responsible for supervising the Project and examining proposals of work programs, budgets and activity reports under the Project.
2. At the provincial level, project coordination shall be vested with PTC, through PCRDC. PDAs and ORMVAs shall act as secretariat for PCRDC. PCRDC shall be responsible for: (a) the approval of CIPs; (b) the preparation of financing plans; and (c) the coordination of monitoring and implementation of the Project within the province.
3. At the communal level, RADC shall assist communal councils within the Project Area in preparing and monitoring the implementation of CIPs validated by said councils.

B. Project Implementation

1. Responsibility for overall Project implementation shall be vested with LDD. LDD shall be assisted by the PMU which shall be maintained, throughout the duration of the Project, under terms of reference acceptable to the Bank. In implementing the Project, the PMU shall be guided at all times by the processes and procedures contained in the IM, including the arrangements regarding the management of the Project, its supervision at the central level and at the participatory programming level. The Borrower shall provide PMU with qualified staff in adequate numbers and resources, all under terms of reference acceptable to the Bank for proper Project implementation. The Borrower shall expand CCSM's original mandate, as described in the Borrower's Ministerial Decision No. 21/95/AGR/DAF dated May 19, 1995, to include the validation of CIPs and progress monitoring of physical and financial operations. To this end, the Borrower shall, not later than six (6) months following the date of this Agreement, amend, in substance agreed with the Bank, the above-mentioned Decision to expand CCSM's mandate accordingly.
2. At the provincial level, the Project shall be implemented in accordance with the processes and procedures contained in the IM. Except for: (a) agricultural advisory services which shall be carried out by CTs and CMVs; and (b) non-agricultural infrastructure which shall be carried out by the relevant provincial services, responsibility for Project implementation shall be vested with each relevant PDA or ORMVA, assisted by a provincial management unit.
3. The Borrower shall provide PDAs, ORMVA and CTs with human resources in adequate numbers and acceptable to the Bank to ensure effective Project implementation at the provincial and local levels, all in accordance with the IM.

4. The Borrower shall, at all times, implement the EMP in a manner satisfactory to the Bank. The Borrower shall not amend or waive any provision of the EMP without the Bank's prior agreement.
5. The Borrower shall, not later than ninety (90) days following the twelve (12) months period commencing at the Effectiveness Date and, thereafter, for every subsequent twelve (12) month period until completion of the Project, provide the Bank, for its review and approval, with progress reports prepared in accordance with environmental indicators set forth in the EMP and agreed upon between the Borrower and the Bank.
6. The Borrower shall, not later than October 31 of each FY during Project implementation, cause the PMU to prepare and furnish to the Bank, for its review, a work program listing all activities to be carried out under the Project for the following FY.
7. The Borrower shall ensure that all rural infrastructures included in CIPs be financed under the Sectoral Programs or by the RDF, in accordance with the Program.
8. The Borrower shall, not later than December 31, 2004, carry out a baseline survey, in accordance with the IM, to establish, within each rural commune under the Project Area, the baseline profile and related key performance indicators to be monitored throughout Project implementation.
9. Not later than six (6) months following the date of this Agreement, the Borrower shall submit the IM to the Bank for its review and approval.
10. Not later than June 30, 2005, the Borrower and the Bank shall agree on the program of activities which shall have been prepared by the Borrower for the province of Errachidia. No activity of the Project shall be executed in said province unless: (a) the Borrower shall have first carried out and submitted to the Bank, for its review and approval, the diagnostic studies, prepared on the basis of terms of reference acceptable to the Bank, with a view to evaluating said activities and their social and environmental impact in said province; and (b) the execution of said activities complies with the provisions of this Agreement and the IM.

C. Mid-Term Review

The Borrower shall:

1. maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank, the carrying out of the Project and the achievement of the objectives thereof;

2. prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank on or about June 30, 2006, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (1) of this Section, and the findings of the progress reports referred to under paragraph B.5 of this Schedule on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date, including changes of rural communes or the expansion of the Project to other communes within the Project Area under criteria acceptable to the Bank; and

3. review with the Bank, by September 30, 2006, or such later date as the Bank shall request, the report referred to in paragraph (2) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories” means Categories (1), (2) and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
 - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
 - (c) the term “Authorized Allocation” means an amount equivalent to MAD 25,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to MAD 11, 000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of EUR 3,000,000.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
 - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
 - (b)
 - (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.
 - (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the

basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.